Financial Statements and Independent Auditor's Report

"EFES Insurance" Closed Joint Stock Company

31 December 2024

Contents

Grant Thornton

Independent Auditor's Report

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To the shareholders of EFES Insurance Closed Joint Stock Company.

Opinion

We have audited the financial statements of EFES Insurance Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Companys ability to continue as a going concern, disclosing, as applicable, matters related to going concern basis of accounting unless management either intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Armen Hovhannisyan	Lilit Baghdasaryan
Chief Executive Officer	Engagement Manager

04 April 2025

Statement of financial position

	Notes	31 December 2024	31 December 2023
Assets			
Cash	5	11,430	187,665
Deposits in banks	6	1,710,880	1,351,801
Investment securities	7	2,228,592	906,153
Securities pledged under repurchase agreements	7	2,374,523	-
Reinsurance contract assets	8	1,118,078	4,196
Property, equipment and intangible assets	9	1,335,661	350,886
Deferred tax assets	23	50,927	66,871
Other assets	10	33,486	88,747
Total assets		**8,863,577**	**2,956,319**
Equity and liabilities			
Liabilities			
Insurance contract liabilities	8	3,130,218	939,338
Reinsurance contract liabilities	8	27,600	83,870
Amounts payable on repurchase agreements	11	2,245,718	-
Other liabilities	12	1,117,914	222,950
Total liabilities		**6,521,450**	**1,246,158**
Equity			
Share capital	13	2,500,000	2,000,000
Accumulated loss		(215,133)	(291,677)
Other reserves		57,260	1,838
Total equity		**2,342,127**	**1,710,161**
Total liabilities and equity		**8,863,577**	**2,956,319**

The financial statements were approved on 04 April 2025 by:

Arevshat Meliksetyan
Chief Executive Officer

Haykuhi Babayan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 64.

Statement of profit or loss and other comprehensive income

	Notes	2024	Period starting from 25 July 2023 until 31 December 2023
Insurance revenue	14	10,260,471	632,375
Insurance service expense	15	(6,151,673)	(541,705)
Insurance service result before reinsurance contracts held		**4,108,798**	**90,670**
Allocation of reinsurance premiums	14	(5,350,386)	(149,511)
Amounts recoverable from reinsurers	16	2,508,404	50,244
Net expense from reinsurance contracts held		**(2,841,982)**	**(99,267)**
Insurance service result		**1,266,816**	**(8,597)**
Interest income calculated using effective interest rate	17	479,629	69,729
Interest expense	17	(141,119)	(943)
Credit loss expense on financial assets	18	(181)	(14,174)
Net foreign exchange gain (loss) on financial assets and liabilities		(22,803)	3,195
Net investment income		**315,526**	**57,807**
Finance income on reinsurance contracts held	19	44,940	-
Finance income on insurance contracts issued	20	504	-
Net insurance finance income		**45,444**	**-**
Other income		7,403	1,938
Depreciation and amortization	9	(85,568)	(8,390)
Personnel expenses	21	(1,221,792)	(336,810)
Other expenses	22	(247,508)	(64,900)
Profit (loss) before income tax		**80,321**	**(358,952)**
Income tax expense (recovery)	23	(3,777)	67,275
Profit (loss) for the reporting period		**76,544**	**(291,677)**

Statement of profit or loss and other comprehensive income (continued)

	Notes	2024	Period starting from 25 July 2023 until 31 December 2023
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Net unearned gain from fair value changes		58,883	1,627
Changes in allowance for expected credit losses		8,706	615
Income tax relating to items that are or may be reclassified		(12,167)	(404)
Net gain on investment securities measured at FVOCI		**55,422**	**1,838**
Other comprehensive income for reporting period, net of tax		**55,422**	**1,838**
Total comprehensive income for reporting period		**131,966**	**(289,839)**

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 64.

Statement of changes in equity

	Share capital	Revaluation reserve for investment securities	Accumulated loss	Total
Balance at 1 January 2024	**2,000,000**	**1,838**	**(291,677)**	**1,710,161**
Profit for the year	-	-	76,544	76,544
Other comprehensive income:				
Net fair value changes	-	58,883	-	58,883
Changes in allowance for expected credit losses	-	8,706	-	8,706
Income tax relating to components of other comprehensive income	-	(12,167)	-	(12,167)
Total comprehensive income for the year	**-**	**55,422**	**76,544**	**131,966**
Increase in share capital	500,000	-	-	500,000
Total transactions with owners	**500,000**	**-**	**-**	**500,000**
Balance at 31 December 2024	**2,500,000**	**57,260**	**(215,133)**	**2,342,127**
Balance at 25 July 2023	-	-	-	-
Issue of share capital	2,000,000	-	-	2,000,000
Total transactions with owners	**2,000,000**	**-**	**-**	**2,000,000**
Loss for the reporting period	-	-	(291,677)	(291,677)
Other comprehensive income:				
Net fair value changes	-	1,627	-	1,627
Changes in allowance for expected credit losses	-	615	-	615
Income tax relating to components of other comprehensive income	-	(404)	-	(404)
Total comprehensive income for the reporting period	**-**	**1,838**	**(291,677)**	**(289,839)**
Balance at 31 December 2023	**2,000,000**	**1,838**	**(291,677)**	**1,710,161**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 64.

Statement of cash flows

	2024	Period starting from 25 July 2023 until 31 December 2023
Cash flows from operating activities		
Insurance premiums received	11,145,963	1,437,695
Ceded reinsurance premiums	(3,597,109)	(15,222)
Claims paid and other expenses	(4,587,124)	(232,049)
Reinsurers' share in claims paid	67,615	-
Amounts received on subrogation	3,202	-
Payments to employees and in their name	(1,368,337)	(257,693)
Payments to suppliers	(268,032)	(84,665)
Payments to intermediaries	(440,814)	(9,321)
Taxes paid, other than income tax	(316,408)	(50,378)
Other proceeds (payments)	681,227	(14,264)
Net cash flow from operating activities before income tax	**1,320,183**	**774,103**
Net cash from operating activities	**1,320,183**	**774,103**
Cash flows from investing activities		
Purchases of investment securities	(3,308,544)	(886,968)
Deposits in bank	(202,140)	(1,310,325)
Purchase of property, equipment and intangible assets	(530,381)	(387,077)
Net cash used in investing activities	**(4,041,065)**	**(2,584,370)**
Cash flow from financing activities		
Proceeds from issue of share capital	500,000	2,000,000
Payment of lease liabilities	(39,667)	(2,577)
Loans received	2,112,921	-
Net cash from financing activities	**2,573,254**	**1,997,423**
Net increase (decrease) in cash	**(147,628)**	**187,156**
Cash at the beginning of the year	187,665	-
Exchange differences on cash	(28,607)	509
Cash at the end of the year (Note 5)	**11,430**	**187,665**

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 64.

Notes to the financial statements

"EFES Insurance" Closed Joint Stock Company

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

1 Nature of operations

EFES Insurance CJSC primarily engages in the general insurance business within the territory of the Republic of Armenia. The main types of insurance contracts issued by the Company are accident, health, motor, cargo, fire and natural disasters, motor liability, financial losses, general liability and travel insurance. Moreover, the Company carries out aircraft insurance, as well as related liability insurance.

2 General information, statement of compliance with IFRS and going concern assumption

EFES Insurance CJSC (the "Company") was incorporated on 25 July 2023 and operates as a closed joint stock company. The Company is regulated by the legislation of the Republic of Armenia ("RA"). The Company conducts its business under licenses number 0012 and 0005, granted on 25.07.2023 by the Central Bank of Armenia (the "CBA").

The head office of the Company is in Yerevan. The registered office is located at: RA, Yerevan, 0019, 11 Zarobyan street.

As at 31 December 2024 the number of employees of the Company was 188 (2023: 101).

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements are prepared on a going concern basis, as management is satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projection of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Company.

As 2023 was the first year of the Company's activity the statement of profit or loss and other comprehensive income, the statements of changes in equity and cash flows included the period starting from 25 July until 31 December 2023.

Business environment

Armenia's business environment faces challenges due to geopolitical tensions, particularly ongoing aggression from Azerbaijan, and regional instability. The war in Ukraine has further complicated the situation, causing disruptions in trade, sanctions on Russia, and global inflation. Armenia's reliance on Russia has strained, affecting trade, remittances, and security guarantees, urging Armenia to diversify its economic relationships, though this comes with its own risks.

The Armenian dram is stronger than expected, controlling inflation but creating difficulties for exporters and businesses with foreign-currency liabilities. Global inflation and rising energy costs pressure Armenia's economy, especially due to reliance on imports.

Despite these challenges, businesses are diversifying supply chains and exploring new markets, while the government's reform efforts provide a path for long-term stability. However, Armenia's success will depend on its businesses' ability to navigate these risks effectively.

These financial statements reflect management's assessment of the impact of the Armenian business environment on the operations of the Company. The Company's management constantly analyzes the economic situation in the current environment. The future economic and political situation and its impact on the Company's operations may differ from the management's current expectations.

2.1 Presentation of financial statements

The Company presents its statement of financial position in order of liquidity based on the Company's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 29.

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2024

In the current year the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2024.

New standards and amendments described below and applied for the first time in 2024 did not have a material impact on the annual financial statements of the Company:

- *"Classification of Liabilities as Current or Non-current"* (Amendments to IAS 1)
- *"Lease Liability in a Sale and Leaseback"* (Amendments to IFRS 16)
- *"Supplier Finance Arrangements"* (Amendments to IAS 7 and IFRS 7)
- *"Non-current Liabilities with Covenants"* (Amendments to IAS 1)

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning on or after the effective date of the pronouncement, which are presnted below:

- *"Lack of Exchangeability"* (Amendments to IAS 21)
- IFRS 19 *"Subsidiaries without Public Accountability: Disclosures"*
- *"Classification and Measurement of Financial Instruments*" (Amendments to IFRS 9 and IFRS 7)
- IFRS 18 *"Presentation and Disclosures in Financial Statements"*

Management does not anticipate a material impact on the Company's financial statements from these Standards and Amendments except for the Standards presented below, which are in the process of assessment.

"Classification and Measurement of Financial Instruments" (Amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- settling financial liabilities using electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Company is in the process of assessing the impact of the new amendments.

IFRS 18 *"Presentation and Disclosures in Financial Statements"*

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.

Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

4 Material accounting policies

4.1 Basis of preparation

The financial statements have been prepared on an accruals basis and under the historical cost convention. The financial instruments are stated at present discounted value of future cash flows as well as at fair value.

4.2 Climate-related matters

The Company and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks.

Physical risks arise as the result of acute weather events such as floods, droughts and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves and droughts.

Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

4.3 Foreign currency

Functional and presentation currency

The national currency of Armenia is the Armenian dram (“AMD”), which is the Company’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in AMD (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in AMD has been rounded to the nearest thousand.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency are treated as monetary items.

Non-monetary items recalculated at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are recalculated using the exchange rates as the dates of the initial transactions.

Foreign currency differences arising on translation are generally recognised in profit or loss in the line of net foreign exchange income (expense).

The exchange rates at year-end used by the Company in the preparation of the financial statements are as follows:

	31 December 2024	31 December 2023
AMD/1 USD	396.56	404.79
AMD/1 EUR	413.89	447.90

4.4 Insurance and reinsurance contracts

4.4.1 Classification

Insurance contracts are those contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance risk is significant if, and only if, an insured event could cause the issuer to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once the contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

4.4.2 Separating components from insurance and reinsurance contracts

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any component that require separation.

4.4.3 Level of aggregation

The level of aggregation for the Company's insurance and reinsurance products is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. No group for level of aggregation purposes may contain contracts issued more than one year apart. The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any),
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any),
- A group of the remaining contracts in the portfolio (if any)

The Company has identified the following portfolios of insurance contracts:

- Property insurance contracts,
- Cargo insurance contracts,
- Aircraft hull and aircraft liability insurance contracts,
- Motor and voluntary MTPL insurance contracts,
- Voluntary health insurance contracts,
- Accident insurance contracts,
- General liability insurance contracts,
- Assistance (Travel) insurance contracts.

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Company groups such contracts separately from contracts that are not onerous. The Company identify the group of onerous contracts by measuring a set of contracts rather than individual contracts.

For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information,
- Similar contracts it has recognised,
- Environmental factors, e.g., a change in market experience or regulations.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except the onerous reinsurance contracts on which there is a net gain on initial recognition.

For some groups of reinsurance contracts held, a group can comprise a single contract.

4.4.4 Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- the beginning of the coverage period of the group of contracts,
- the date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date,
- for a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- the beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- the date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

4.4.5 Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

4.4.6 Measurement

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- the coverage period of each contract in the group is generally one year or less, including insurance contract services arising from all premiums within the contract boundary, or
- for contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

Both cargo insurance and general liability insurance include contracts with coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA. Coverage period for remaining insurance portfolios is one year or less and so qualifies for PAA.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- the premiums, if any, received at initial recognition,
- minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and,
- any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please See Note 4.4.13.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Obligatory reinsurance contracts held of the Company include reinsurance portfolios with a coverage period of more than one year. There is no significant difference between the amounts of the remaining coverage liability measured by the PAA and the general model.

The remaining reinsurance portfolios of the Company have a coverage period of one year or less and therefore the premium allocation approach is used.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- plus premiums received in the period,
- minus insurance acquisition cash flows, with the exception of insurance product line for which the company chooses to expense insurance acquisition cash flows as they occur,
- plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group,
- plus any adjustment to the financing component, where applicable,
- minus the amount recognised as insurance revenue for the services provided in the period,
- minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please see Note 4.4.13.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss.

Reinsurance contracts held - subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

4.4.7 Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Company uses a systematic and rational method to allocate:

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts,
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

4.4.8 Modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such

cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

4.4.9 Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount from insurance activity recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

4.4.10 Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

4.4.11 Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items:

- Incurred claims and other insurance service expenses,
- Amortisation of insurance acquisition cash flows: the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts,
- Losses on onerous contracts and reversal of such losses, see Note 4.4.13
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein,
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

4.4.12 Expense from reinsurance contracts held

The expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

The allocation of reinsurance premiums paid for each period are the amounts of expected premium payments for receiving services in the period.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised, see Note 4.4.14.

4.4.13 Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in note 4.4.3 indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in note 4.4.6. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

4.4.14 Loss-recovery components

As described in Note 4.4.3 above, where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

4.4.15 Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For all other business, the Company does not disaggregate finance income and expenses between profit or loss and other comprehensive income, but fully presents in profit or loss.

4.5 Recognition of investment income and expenses

Investment income and expenses are other than those related to insurance contracts and includes interest income on debt investments at FVOCI, interest income on investments at amortised cost, net gain/(loss) on derecognition of investment securities, interest expense on lease liabilities.

The effective interest rate method

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECL).

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4.6 Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In the case when financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result, tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result, significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include even more periods.

Deferred tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The insurance companies in the Republic of Armenia also has various operating taxes, which are assessed on the Company’s activities. These taxes are included as a component of other expenses in the statement of profit or loss and other comprehensive income.

4.7 Financial instruments

i) Recognition and initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered

in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment whether contractual cash flows are solely payments of principal and interest (The SPPI test)

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial liabilities

The Company classifies its financial liabilities as measured at amortised cost.

iii) Subsequent measurement

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

Dividend income from equity instruments is measured at fair value through profit or loss and is recorded in profit or loss as other operating income when the right to payment is established.

iv) Reclassification

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

v) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the

Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

vi) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see Note 4.7.v)) and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, The Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

vii) Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

viii) Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company's debt instruments comprise government bonds that are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL (12mECL) basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

12-month ECL (12mECLs) are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime expected credit losses (LTECLs) are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

PD (the Probability of Default) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD (the Exposure at Default) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD (the Loss Given Default) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Company groups its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the three scenarios, as explained above. Stage 1 also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

- Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR. Stage 2 also include facilities, where the credit risk has improved and the financial asset has been reclassified from Stage 3.

- Stage 3: For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Central Bank base rates

ix) Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

4.7.1 Cash

Cash comprise banks accounts. Cash are carried at amortised cost.

4.7.2 Deposits in banks

In the normal course of business, the Company maintains deposit accounts in banks. Deposits in banks with more than 90 days of fixed maturity term are subsequently measured at amortized cost using the effective interest method. Deposits in banks are carried net of any allowance for impairment losses.

4.7.3 Investment securities

The "investment securities" caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

4.7.4 Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The corresponding liability is presented within repurchase agreements with banks.

The expense from sale of securities is treated as interest and accrued over the life of repo agreements using the effective yield method.

4.8 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. If the recoverable value of property and equipment is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value. Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Computers and communication	2-5	20-50
Vehicles	4-5	20-25
Other fixed assets	Not more than 40	Not less than 2.5

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other income.

4.9 Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 1-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Company can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred.

4.10 Impairment of non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their air value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.11 Leases

For any new contracts the Company considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company,
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defies scope of the contract,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases

Company as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

On the statement of financial position, right-of-use assets have been included in property and equipment and lease liabilities have been included in the other liabilities.

4.12 Financial guarantees

"Financial guarantees" are contracts that require the Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Liabilities arising from financial guarantees are included within provisions.

4.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

4.14 Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Accumulated loss

Accumulated loss includes accumulated loss of current and prior periods.

Fair value reserve for investments securities at FVOCI

This reserve records fair value changes in investment securities at fair value through other comprehensive income.

4.15 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

4.15.1 Significant judgements in applying accounting policies

The following are the judgements made by management in applying the accounting policies that have the most significant effect on the financial statements.

Level of aggregation of insurance contracts

The Company identifies portfolios of contracts and determines groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently.

Measurement of insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for incurred claims, the Company discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Classification of financial assets

The Company assesses the business model within which the assets are held and also assesses whether the contractual terms of the financial asset are solely payments of principal and interest on the outstanding principal amount (see Note 4.7 *(ii)*).

Establish criteria for calculating ECL

The Company establishes the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determines methodology for incorporating forward- looking information into measurement of ECL and selects and approves of models used to measure ECL.

4.15.2 Assumptions and estimations uncertainty

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

Discount rates

The Company calculates insurance contract liabilities by discounting expected future cash flows at a risk free rate. Risk free rates are determined by reference to the yields of highly liquid sovereign securities in the currency of the insurance contract liabilities.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment with a confidence level set at 99%. This estimation involves assessing the probability distribution of future cash flows and determining the additional amount necessary above the expected present value of these cash flows to meet the target level of confidence. Moreover, the Company incorporates the cost of capital into its evaluation of risk adjustment.

Measurement of fair values

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 27).

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Useful Life of property and equipment

Useful life evaluation of property and equipment is the result of judgement, based on the experience with similar assets. Future economic benefits are embodied in assets and mainly consumed along with usage. Management evaluates the remaining useful life according to the asset's current technical condition and estimated period, during which the Company expects to receive benefits. For the evaluation of remaining useful life are considered the following main factors: expectable usage of assets, depending on the operational factors and maintenance program, that is depreciation arising from the changes in the market conditions.

Impairment of financial instruments

The Company assess of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL (see note *30.2*), as well as the key assumptions used in estimating recoverable cash flows (see Note 4.7 (viii)).

Tax legislation

Armenian tax legislation is subject to varying interpretations. see Note 25.

5 Cash

	31 December 2024	31 December 2023
Bank accounts	11,430	187,665
Total cash	**11,430**	**187,665**

As at 31 December 2024 the bank accounts in amount of AMD 8,901 thousand (78%) were due from three commercial banks (2023: AMD 146,873 thousand (78%), two banks).

As at 31 December 2024 the financial flows of the bank accounts pledged as a collateral for the loan provided by the Company to the founder (2023: not available).

As at 31 December 2024 financial flows from bank accounts are pledged as a collateral for guarantees received from banks for participation in tenders related to insurance activities for a period until 12 December 2025 (2023: not available).

The ECLs relating to cash and cash equivalents here rounds to zero and therefore, have not been disclosed here.

6 Deposits in banks

	31 December 2024	31 December 2023
Deposits in banks	1,715,914	1,361,899
	1,715,914	**1,361,899**
Credit loss allowance	(5,034)	(10,098)
Total deposit in banks	**1,710,880**	**1,351,801**

As at 31 December 2024 deposits in amount of AMD 1,235,197 thousand (72%) were due from four banks (2023: AMD 951,801 thousand (70%), three banks).

All deposits in banks have more than 90 days of maturity or they are shorter-term, but the maturities are regularly reconsidered and prolonged.

As at 31 December 2024 the weighted average interest rate of deposits in banks is 8.99% (2023: 9.51%).

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As at 31 December 2024 the amount of AMD 250,000 thousand from deposits in banks pledged as a collateral for guarantees received from banks for participation in tenders related to insurance activities by the Company for a period until 12 December 2025 (2023: not available).

An analysis of changes in the ECLs on deposits in banks as follows:

	31 December 2024	31 December 2023
	Stage 1	Stage 1
ECL allowance at 1 January	10,098	-
Net remeasurement of credit loss allowance	(5,064)	10,098
Balance at 31 December	**5,034**	**10,098**

7 Investment securities

Investment securities measured at amortised cost

	31 December 2024	31 December 2023
Investment securities measured at amortised cost		
RA state bonds	-	609,663
	-	**609,663**
Credit loss allowance	-	(3,461)
Total investment securities at amortised cost	**-**	**606,202**

An analysis of changes in the ECLs on investment securities measured at amortised cost as follows

	2024	2023
	Stage 1	Stage 1
ECL allowance at 1 January	3,461	-
Net remeasurement of credit loss allowance	(3,461)	3,461
Balance at 31 December	**-**	**3,461**

Investment securities measured at amortized cost by effective interest rates and maturity date comprise:

	31 December 2024		31 December 2023	
	%	Maturity	%	Maturity
RA state bonds	-	-	-	2024

Investment securities measured at FVOCI

	31 December 2024	31 December 2023
Investment securities measured at FVOCI		
RA state bonds	2,228,592	299,951
Total investment securities measured at FVOCI	**2,228,592**	**299,951**
Investment securities measured at FVOCI pledged under repurchase agreements		
RA state bonds	2,374,523	-
Investment securities measured at FVOCI pledged under repurchase agreements	**2,374,523**	-

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An analysis of changes in the ECLs on debt investment securities measured at FVOCI including investment securities pledged under repurchase agreements as follow:

	2024	2023
	Stage 1	Stage 1
ECL allowance at 1 January	615	-
Net remeasurement of credit loss allowance	8,706	615
Balance at 31 December	**9,321**	**615**

The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI including investment securities pledged under repurchase agreements is their fair value.

Investment securities measured at FVOCI by effective interest rates and maturity date comprise:

	31 December 2024		31 December 2023	
	%	Maturity	%	Maturity
RA state bonds	8-12.5	2026-2052	9-12.5	2029-2047

The pledged securities are those financial assets pledged under repurchase agreements with other banks, with the right to sell or re-pledge by the counterparties in the absence of default by the Company, but the counterparty has an obligation to return the securities at the maturity of the contract. The Company has determined that it retains all of the main risks and rewards of such securities and therefore does not derecognize them.

As at 31 December 2024, investment securities measured at fair value through other comprehensive income in the amount of AMD 2,374,523 thousand (2023: nil) were pledged for loans under repurchase agreements received from banks (see Note 11).

All debt securities have fixed coupons.

The Company has not reclassified any financial assets measured at amortised cost rather than fair value during the year (2023: niether).

8 Insurance and reinsurance contract assets and liabilities

The breakdown of portfolios of insurance contracts issued and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	2024		2023	
		Net		Net
	Assets	Liabilities	Assets	Liabilities
Insurance contracts issued				
Health insurance	-	1,363,371	-	378,575
Cargo insurance	-	66,976	-	8,003
Property insurance	-	625,876	-	124,204
Accident insurance	-	182,649	-	26,087
General liability insurance	-	62,362	-	96,004
Assistance (Travel) insurance	-	93,586	-	20,196
Motor and voluntary MTPL insurance	-	642,018	-	249,133
Aircraft hull and aircraft liability insurance	-	93,380	-	37,136
Total insurance contracts issued	**-**	**3,130,218**	**-**	**939,338**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

		2024		2023
		Net		Net
	Assets	Liabilities	Assets	Liabilities
Reinsurance contracts held				
Voluntary health insurance	(290,312)	-	-	-
Cargo insurance	(54,162)	-	-	28,025
Property insurance	(131,498)	-	-	10,562
Accident insurance	(51,194)	-	-	15,932
General liability insurance	(7,177)	-	-	7,224
Assistance (Travel) insurance	(15,166)	-	(4,196)	-
Motor and voluntary MTPL insurance	(568,569)	-	-	20,925
Aircraft hull and aircraft liability insurance	-	27,600	-	1,202
Total reinsurance contracts held	**(1,118,078)**	**27,600**	**(4,196)**	**83,870**

The Company disaggregates information to provide disclosure in respect of major product lines separately. This disaggregation has been determined based on how the Company is managed.

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Voluntary health insurance

	2024					2023				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities at 1 January	266,618	1,004	123,310	(12,357)	378,575	-	-	-	-	-
Insurance revenue	(4,292,857)	-	-	-	(4,292,857)	(356,773)	-	-	-	(356,773)
Insurance service expenses	**102,400**	**20,789**	**3,960,080**	**47,112**	**4,130,381**	**20,916**	**1,004**	**333,658**	**(12,357)**	**343,221**
Incurred claims and other expenses	-	-	3,576,916	-	3,576,916	-	-	211,049	-	211,049
Amortisation of insurance acquisition cash flows	102,400	-	-	-	102,400	20,916	-	-	-	20,916
Losses on onerous contracts	-	20,789	-	-	20,789	-	1,004	-	-	1,004
Changes to liabilities for incurred claims	-	-	383,164	47,112	430,276	-	-	122,609	(12,357)	110,252
Insurance service result	**(4,190,457)**	**20,789**	**3,960,080**	**47,112**	**(162,476)**	**(335,857)**	**1,004**	**333,658**	**(12,357)**	**(13,552)**
Effect of movements in exchange rates	(3)	-	-	-	(3)	-	-	-	-	-
Total changes in the statement of comprehensive income	**(4,190,460)**	**20,789**	**3,960,080**	**47,112**	**(162,479)**	**(335,857)**	**1,004**	**333,658**	**(12,357)**	**(13,552)**
Cash flows										
Premiums received	4,778,919	-	-	-	4,778,919	623,554	-	-	-	623,554
Claims and other expenses paid	-	-	(3,529,344)	-	(3,529,344)	-	-	(210,348)	-	(210,348)
Insurance acquisition cash flows	(102,904)	-	-	-	(102,904)	(21,079)	-	-	-	(21,079)
Total cash flows	**4,676,015**	**-**	**(3,529,344)**	**-**	**1,146,671**	**602,475**	**-**	**(210,348)**	**-**	**392,127**
Other movements	604	-	-	-	604	-	-	-	-	-
Net insurance contract liabilities at 31 December	**752,777**	**21,793**	**554,046**	**34,755**	**1,363,371**	**266,618**	**1,004**	**123,310**	**(12,357)**	**378,575**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Property insurance

	2024					2023				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities at 1 January	107,176	-	19,474	(2,446)	124,204	-	-	-	-	-
Insurance revenue	(3,095,784)	-	-	-	(3,095,784)	(59,106)	-	-	-	(59,106)
Insurance service expenses	**105,344**	**1,334**	**231,385**	**2,833**	**340,896**	**15,413**	**-**	**19,497**	**(2,446)**	**32,464**
Incurred claims and other expenses	-	-	244,367	-	244,367	-	-	23	-	23
Amortisation of insurance acquisition cash flows	105,344	-	-	-	105,344	15,413	-	-	-	15,413
Losses on onerous contracts	-	1,334	-	-	1,334	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(12,982)	2,833	(10,149)	-	-	19,474	(2,446)	17,028
Insurance service result	**(2,990,440)**	**1,334**	**231,385**	**2,833**	**(2,754,888)**	**(43,693)**	**-**	**19,497**	**(2,446)**	**(26,642)**
Total changes in the statement of comprehensive income	**(2,990,440)**	**1,334**	**231,385**	**2,833**	**(2,754,888)**	**(43,693)**	**-**	**19,497**	**(2,446)**	**(26,642)**
Cash flows										
Premiums received	3,628,225	-	-	-	3,628,225	172,627	-	-	-	172,627
Claims and other expenses paid	-	-	(244,368)		(244,368)	-	-	(23)	-	(23)
Insurance acquisition cash flows	(127,701)	-	-	-	(127,701)	(21,935)	-	-	-	(21,935)
Total cash flows	**3,500,524**	**-**	**(244,368)**	**-**	**3,256,156**	**150,692**	**-**	**(23)**	**-**	**150,669**
Other movements	404	-	-	-	404	177	-	-	-	177
Net insurance contract liabilities at 31 December	**617,664**	**1,334**	**6,491**	**387**	**625,876**	**107,176**	**-**	**19,474**	**(2,446)**	**124,204**

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Motor and voluntary MTPL insurance contracts

	2024					2023				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities at 1 January	208,849	5,648	38,904	(4,268)	249,133	-	-	-	-	-
Insurance revenue	(1,287,302)	-	-	-	(1,287,302)	(79,729)	-	-	-	(79,729)
Insurance service expenses	**326,185**	**33,595**	**698,496**	**19,081**	**1,077,357**	**57,265**	**5,648**	**55,402**	**(4,268)**	**114,047**
Incurred claims and other expenses	-	-	584,657	-	584,657	-	-	16,498	-	16,498
Amortisation of insurance acquisition cash flows	326,185	-	-	-	326,185	57,265	-	-	-	57,265
Losses on onerous contracts	-	33,595	-	-	33,595	-	5,648	-	-	5,648
Changes to liabilities for incurred claims	-	-	113,839	19,081	132,920	-	-	38,904	(4,268)	34,636
Insurance service result	**(961,117)**	**33,595**	**698,496**	**19,081**	**(209,945)**	**(22,464)**	**5,648**	**55,402**	**(4,268)**	**34,318**
Total changes in the statement of comprehensive income	**(961,117)**	**33,595**	**698,496**	**19,081**	**(209,945)**	**(22,464)**	**5,648**	**55,402**	**(4,268)**	**34,318**
Cash flows										
Premiums received	1,527,696	-	-	-	1,527,696	306,548	-	-	-	306,548
Claims and other expenses paid	-	-	(583,414)	-	(583,414)	-	-	(16,498)	-	(16,498)
Insurance acquisition cash flows	(342,190)	-	-	-	(342,190)	(75,293)	-	-	-	(75,293)
Total cash flows	**1,185,506**	**-**	**(583,414)**	**-**	**602,092**	**231,255**	**-**	**(16,498)**	**-**	**214,757**
Other movements	738	-	-	-	738	58	-	-	-	58
Net insurance contract liabilities at 31 December	**433,976**	**39,243**	**153,986**	**14,813**	**642,018**	**208,849**	**5,648**	**38,904**	**(4,268)**	**249,133**

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Other Insurance portfolios

Other portfolios include cargo insurance, accident insurance, general liability insurance, assistance (travel) insurance contracts, aircraft hull and aircraft liability insurance contracts:

	2024					2023				
	Liabilities for remaining coverage		Liabilities for incurred claims			Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities at 1 January	165,577	553	24,822	(3,526)	187,426	-	-	-	-	-
Insurance revenue	(1,584,528)	-	-	-	(1,584,528)	(136,767)	-	-	-	(136,767)
Insurance service expenses	**276,308**	**10,139**	**306,606**	**9,986**	**603,039**	**24,977**	**553**	**29,969**	**(3,526)**	**51,973**
Incurred claims and other expenses	-	-	224,219	-	224,219	-	-	5,147	-	5,147
Amortisation of insurance acquisition cash flows	276,308	-	-	-	276,308	24,977	-	-	-	24,977
Losses on onerous contracts	-	10,139	-	-	10,139	-	553	-	-	553
Changes to liabilities for incurred claims	-	-	82,387	9,986	92,373	-	-	24,822	(3,526)	21,296
Insurance service result	**(1,308,220)**	**10,139**	**306,606**	**9,986**	**(981,489)**	**(111,790)**	**553**	**29,969**	**(3,526)**	**(84,794)**
Effect of movements in exchange rates	(501)	-	-	-	(501)	-	-	-	-	-
Total changes in the statement of comprehensive income	**(1,308,721)**	**10,139**	**306,606**	**9,986**	**(981,990)**	**(111,790)**	**553**	**29,969**	**(3,526)**	**(84,794)**
Cash flows										
Premiums received	1,820,885	-	-	-	1,820,885	305,985	-	-	-	305,985
Claims and other expenses paid	-	-	(224,220)	-	(224,220)	-	-	(5,147)	-	(5,147)
Insurance acquisition cash flows	(300,129)	-	-	-	(300,129)	(32,378)	-	-	-	(32,378)
Total cash flows	**1,520,756**	**-**	**(224,220)**	**-**	**1,296,536**	**273,607**	**-**	**(5,147)**	**-**	**268,460**
Other movements	(3,019)	-	-	-	(3,019)	3,760	-	-	-	3,760
Net insurance contract liabilities at 31 December	**374,593**	**10,692**	**107,208**	**6,460**	**498,953**	**165,577**	**553**	**24,822**	**(3,526)**	**187,426**

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The roll-forward of the net asset or liability for reinsurance contracts held, showing the liability for remaining coverage and the liability for incurred claims for accident insurance product line, is disclosed in the table below:

Voluntary health insurance

	2024				2023			
	Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims			Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims		
	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net reinsurance contract balances at 1 January	-	-	-	-	-	-	-	-
Allocation of reinsurance premiums to reinsurers	(1,325,754)	-	-	(1,325,754)	-	-	-	-
Amounts recoverable from reinsurer	**106,807**	**1,478,415**	**17,749**	**1,602,971**	-	-	-	-
Amortization of commissions on reinsurance	106,807	-	-	106,807	-	-	-	-
Reinsurer's share in incurred claims and other expenses	-	1,209,334	-	1,209,334	-	-	-	-
Changes to reinsurer's share in liabilities for incurred claims	-	269,081	17,749	286,830	-	-	-	-
Net expenses from reinsurance contracts	**(1,218,947)**	**1,478,415**	**17,749**	**277,217**	-	-	-	-
Effect of movements in exchange rates	320	-	-	320	-	-	-	-
Total changes in the statement of comprehensive income	**(1,218,627)**	**1,478,415**	**17,749**	**277,537**	-	-	-	-
Cash flows								
Reinsurance premiums paid	1,222,108	-	-	1,222,108	-	-	-	-
Reinsurance commissions received	-	(1,209,333)	-	(1,209,333)	-	-	-	-
Total cash flows	**1,222,108**	**(1,209,333)**	-	**12,775**	-	-	-	-
Net insurance contract assets at 31 December	**3,481**	**269,082**	**17,749**	**290,312**	-	-	-	-

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Property insurance

	2024				2023			
	Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims			Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims		
	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net reinsurance contract liabilities at 1 January	**(25,783)**	**17,403**	**(2,182)**	**(10,562)**	**-**	**-**	**-**	**-**
Allocation of reinsurance premiums to reinsurers	(2,729,745)	-	-	(2,729,745)	(33,734)	-	-	(33,734)
Amounts recoverable from (allocated to) reinsurer	**(8,419)**	**217,702**	**2,494**	**211,777**	**(1,541)**	**17,403**	**(2,182)**	**13,680**
Amortization of commissions on reinsurance	(8,419)	-	-	(8,419)	(1,541)	-	-	(1,541)
Reinsurer's share in incurred claims and other expenses	-	229,617	-	229,617	-	-	-	-
Changes to reinsurer's share in liabilities for incurred claims	-	(11,915)	2,494	(9,421)	-	17,403	(2,182)	15,221
Net expenses from reinsurance contracts	**(2,738,164)**	**217,702**	**2,494**	**(2,517,968)**	**(35,275)**	**17,403**	**(2,182)**	**(20,054)**
Effect of movements in exchange rates	39,656	-	-	39,656	(44)	-	-	(44)
Total changes in the statement of comprehensive income	**(2,698,508)**	**217,702**	**2,494**	**(2,478,312)**	**(35,319)**	**17,403**	**(2,182)**	**(20,098)**
Cash flows								
Reinsurance premiums and commissions paid	2,750,718	-	-	2,750,718	9,536	-	-	9,536
Reinsurance claims received	-	(130,346)	-	(130,346)	-	-	-	-
Total cash flows	**2,750,718**	**(130,346)**	**-**	**2,620,372**	**9,536**	**-**	**-**	**9,536**
Net insurance contract assets (liabilities) at 31 December	**26,427**	**104,759**	**312**	**131,498**	**(25,783)**	**17,403**	**(2,182)**	**(10,562)**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Motor and voluntary MTPL insurance

	2024				2023			
	Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims			Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims		
	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net reinsurance contract liabilities at 1 January	**(49,116)**	**31,584**	**(3,393)**	**(20,925)**	**-**	**-**	**-**	**-**
Allocation of reinsurance premiums to reinsurers	(636,291)	-	-	(636,291)	(45,685)	-	-	(45,685)
Amounts recoverable from (allocated to) reinsurer	**(87,341)**	**546,949**	**15,029**	**474,637**	**(15,576)**	**43,728**	**(3,393)**	**24,759**
Amortization of commissions on reinsurance	(87,341)	-	-	(87,341)	(15,576)	-	-	(15,576)
Reinsurer's share in incurred claims and other expenses	-	432,101	-	432,101	-	12,144	-	12,144
Changes to reinsurer's share in liabilities for incurred claims	-	114,848	15,029	129,877	-	31,584	(3,393)	28,191
Net expenses from reinsurance contracts	**(723,632)**	**546,949**	**15,029**	**(161,654)**	**(61,261)**	**43,728**	**(3,393)**	**(20,926)**
Total changes in the statement of comprehensive income	**(723,632)**	**546,949**	**15,029**	**(161,654)**	**(61,261)**	**43,728**	**(3,393)**	**(20,926)**
Cash flows								
Reinsurance premiums and commissions paid	1,183,284	-	-	1,183,284	12,145	-	-	12,145
Reinsurance claims received	-	(432,136)	-	(432,136)	-	(12,144)	-	(12,144)
Total cash flows	**1,183,284**	**(432,136)**	**-**	**751,148**	**12,145**	**(12,144)**	**-**	**1**
Net insurance contract assets (liabilities) at 31 December	**410,536**	**146,397**	**11,636**	**568,569**	**(49,116)**	**31,584**	**(3,393)**	**(20,925)**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Other reinsurance portfolios

Other portfolios include cargo insurance, accident insurance, general liability insurance, assistance (travel) insurance contracts, aircraft hull and aircraft liability insurance contracts:

	2024				2023			
	Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims			Liabilities for remaining coverage	Reinsurer's share in liabilities for incurred claims		
	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	Total	Excluding loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net reinsurance contract liabilities at 1 January	**(65,734)**	**20,478**	**(2,931)**	**(48,187)**	**-**	**-**	**-**	**-**
Allocation of reinsurance premiums to reinsurers	(658,596)	-	-	(658,596)	(70,092)	-	-	(70,092)
Amounts recoverable from (allocated to) reinsurer	**40,630**	**170,622**	**7,767**	**219,019**	**(7,915)**	**22,651**	**(2,931)**	**11,805**
Amortization of commissions on reinsurance	40,630	-	-	40,630	(7,915)	-	-	(7,915)
Reinsurer's share in incurred claims and other expenses	-	118,576	-	118,576	-	2,173	-	2,173
Changes to reinsurer's share in liabilities for incurred claims	-	52,046	7,767	59,813	-	20,478	(2,931)	17,547
Net expenses from reinsurance contracts	**(617,966)**	**170,622**	**7,767**	**(439,577)**	**(78,007)**	**22,651**	**(2,931)**	**(58,287)**
Effect of movements in exchange rates	4,964	-	-	4,964	(503)	-	-	(503)
Total changes in the statement of comprehensive income	**(613,002)**	**170,622**	**7,767**	**(434,613)**	**(78,510)**	**22,651**	**(2,931)**	**(58,790)**
Cash flows								
Reinsurance premiums and commissions paid	701,476	-	-	701,476	12,776	-	-	12,776
Reinsurance claims received	-	(118,577)	-	(118,577)	-	(2,173)	-	(2,173)
Total cash flows	**701,476**	**(118,577)**	**-**	**582,899**	**12,776**	**(2,173)**	**-**	**10,603**
Net insurance contract assets (liabilities) at 31 December	**22,740**	**72,523**	**4,836**	**100,099**	**(65,734)**	**20,478**	**(2,931)**	**(48,187)**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

9 Property and equipment

	Fixtures and fittings	Equipment	Vehicles	Leasehold improvement	Intangible assets	Right-of-use assets	Total
Cost							
As at 25 July 2023	-	-	-	-	-	-	-
Additions	19,354	153,654	45,317	73,640	13,653	53,658	359,276
As at 31 December 2023	**19,354**	**153,654**	**45,317**	**73,640**	**13,653**	**53,658**	**359,276**
Additions	88,546	16,398	34,189	223,694	260,952	461,657	1,085,436
Disposal	(3,139)	(1,037)	(12,500)	-	(4,121)	-	(20,797)
Remeasurement	-	-	-	-	-	(628)	(628)
As at 31 December 2024	**104,761**	**169,015**	**67,006**	**297,334**	**270,484**	**514,687**	**1,423,287**
Accumulated depreciation							
As at 25 July 2023	-	-	-	-	-	-	-
Expenses for the year	276	1,864	2,044	-	674	3,532	8,390
As at 31 December 2023	**276**	**1,864**	**2,044**	**-**	**674**	**3,532**	**8,390**
Expenses for the year	8,956	25,927	7,590	1,132	13,017	28,946	85,568
Disposal	(4)	(95)	(2,113)	-	(4,120)	-	(6,332)
As at 31 December 2024	**9,228**	**27,696**	**7,521**	**1,132**	**9,571**	**32,478**	**87,626**
Carrying amount							
As at 31 December 2023	**19,078**	**151,790**	**43,273**	**73,640**	**12,979**	**50,126**	**350,886**
As at 31 December 2024	**95,533**	**141,319**	**59,485**	**296,202**	**260,913**	**482,209**	**1,335,661**

Right-of-use assets

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in line with its own fixed asset classification, and the lease liability presents in other liabilities (see Note 12).

Assets available for use

As at 31 December 2024 the cost of assets available for use, included in the list of fixed assets, amounts to AMD 885 thousand (2023: AMD 116,213 thousand).

Restrictions on title of fixed assets

As at 31 December 2024 vehicles with a cost of AMD 49,073 thousand, fixtures and fittings and equipment of AMD 226,688 thousand, and intangible assets of AMD 8,700 thousand are pledged as collateral for a loan provided to the Company's founder (2023: nil).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

10 Other assets

	31 December 2024	31 December 2023
Debtors and other receivables	11,302	4,253
Total other financial assets	**11,302**	**4,253**
Prepayments	15,918	82,723
Warehouse	1,101	-
Other	5,165	1,771
Total non-financial assets	**22,184**	**84,494**
Total other assets	**33,486**	**88,747**

Expected credit losses on other financial assets are close to zero and therefore are not disclosed in this table.

11 Amounts payable on repurchase agreements

	31 December 2024	31 December 2023
Repurchase agreements with banks	2,245,718	-
Total amounts payable on repurchase agreements	**2,245,718**	**-**

Loans attracted through repurchase agreements are secured with investment securities measured at FVOCI in amount of AMD 2,374,523 thousand (2023: nil) (see Note 7).

12 Other liabilities

	31 December 2024	31 December 2023
Payables	72,026	33,469
Lease liabilities	479,774	50,030
Due to personnel	74,823	70,799
Total other financial liabilities	**626,623**	**154,298**
Tax payable, other than income tax	56,258	29,610
Prepayments received	435,033	39,042
Total other non-financial liabilities	**491,291**	**68,652**
Total other liabilities	**1,117,914**	**222,950**

Lease liabilities

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. . The Company classifies its right-of-use assets in line with its own fixed asset classification (see Note 9):

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Set out below are presented the movements of lease liabilities during the period.

	2024	2023
As at 1 January	50,030	-
Additions	461,657	51,664
Accretion of interest	8,322	943
Payments	(39,667)	(2,577)
Remeasurement	(568)	-
Total lease liabilities at 31 December	**479,774**	**50,030**

In 2024 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 12.5% (2023: 12.1%).

13 Share capital

As at 31 December 2024 the Company's registered and paid-in share capital was AMD 2,500,000 thousand. In accordance with the Company's statues, the share capital consists of 2,500,000 ordinary shares, all of which have a par value of AMD 1,000 each.

As at 31 December 2024 the Company increased its share capital with AMD 500,000 thousand.

As at 31 December 2024 and 2023 the ultimate shareholder of the Company is "Inteligent Management" LLC.

As at 31 December 2024, the Company did not possess any of its own shares.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company.

Distributable among shareholders reserves equal the amount of retained earnings, determined according to the Armenian legislation.

14 Insurance revenue and allocation of reinsurance premiums

			2024
	Insurance revenue	Allocation of reinsurance premiums	Net insurance revenue
Voluntary health insurance	4,292,857	(1,325,754)	2,967,103
Cargo insurance	130,414	(68,179)	62,235
Property insurance	3,095,784	(2,729,745)	366,039
Accident insurance	593,828	(211,495)	382,333
General liability insurance	234,933	(200,809)	34,124
Assistance (Travel) insurance	515,062	(82,848)	432,214
Motor and voluntary MTPL insurance	1,287,302	(636,291)	651,011
Aircraft hull and aircraft liability insurance	110,291	(95,265)	15,026
Total	**10,260,471**	**(5,350,386)**	**4,910,085**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

	Period starting from 25 July 2023 until 31 December 2023		
	Insurance revenue	Allocation of reinsurance premiums	Net insurance revenue
Voluntary health insurance	356,773	-	356,773
Cargo insurance	41,452	(19,216)	22,236
Property insurance	59,106	(33,734)	25,372
Accident insurance	33,933	(19,925)	14,008
General liability insurance	28,349	(21,418)	6,931
Assistance (Travel) insurance	22,495	(453)	22,042
Motor and voluntary MTPL insurance	79,729	(45,685)	34,044
Aircraft hull and aircraft liability insurance	10,538	(9,080)	1,458
Total	**632,375**	**(149,511)**	**482,864**

15 Insurance service expense

	2024				
	Incurred claims and other expenses	Amortisation of insurance acquisition cash flows	Onerous contract losses and losses reversal	Changes to liabilities for incurred claims	Insurance service expense
Voluntary health insurance	3,576,916	102,400	20,789	430,276	4,130,381
Cargo insurance	531	10,594	-	61,904	73,029
Property insurance	244,367	105,344	1,334	(10,149)	340,896
Accident insurance	121,394	49,773	(8)	24,907	196,066
General liability insurance	3,669	16,431	(27)	(10,272)	9,801
Assistance (Travel) insurance	98,625	198,775	10,174	15,834	323,408
Motor and voluntary MTPL insurance	584,657	326,185	33,595	132,920	1,077,357
Aircraft hull and aircraft liability insurance	-	735	-	-	735
Total insurance service expense	**4,630,159**	**810,237**	**65,857**	**645,420**	**6,151,673**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

	Period starting from 25 July 2023 until 31 December 2023				
	Incurred claims and other expenses	Amortisation of insurance acquisition cash flows	Onerous contract losses and losses reversal	Changes to liabilities for incurred claims	Insurance service expense
Voluntary health insurance	211,049	20,916	1,004	110,252	343,221
Cargo insurance	2,438	444	-	1,820	4,702
Property insurance	23	15,413	-	17,028	32,464
Accident insurance	426	4,080	88	710	5,304
General liability insurance	-	1,580	44	10,588	12,212
Assistance (Travel) insurance	2,283	18,091	421	8,178	28,973
Motor and voluntary MTPL insurance	16,498	57,265	5,648	34,636	114,047
Aircraft hull and aircraft liability insurance	-	782	-	-	782
Total insurance service expense	**232,717**	**118,571**	**7,205**	**183,212**	**541,705**

16 Amounts recoverable from reinsurers

	2024			
	Reinsurer's share in incurred claims and other expenses	Amortisation of reinsurance acquisition cash flows	Reinsurers' share in changes to liabilities for incurred claims	Amounts recovered from reinsurer
Voluntary health insurance	1,209,334	106,807	286,830	1,602,971
Cargo insurance	467	(2,961)	55,683	53,189
Property insurance	229,617	(8,419)	(9,421)	211,777
Accident insurance	114,820	38,581	17,192	170,593
General liability insurance	3,289	4,419	(10,207)	(2,499)
Assistance (Travel) insurance	-	388	(2,855)	(2,467)
Motor and voluntary MTPL insurance	432,101	(87,341)	129,877	474,637
Aircraft hull and aircraft liability insurance	-	203	-	203
Total amounts recoverable from reinsurers	**1,989,628**	**51,677**	**467,099**	**2,508,404**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

	Period starting from 25 July 2023 until 31 December 2023			
	Reinsurer's share in incurred claims and other expenses	Amortisation of reinsurance acquisition cash flows	Reinsurers' share in changes to liabilities for incurred claims	Amounts recovered from reinsurer
Cargo insurance	2,173	(12,114)	1,680	(8,261)
Property insurance	-	(1,541)	15,221	13,680
Accident insurance	-	3,319	674	3,993
General liability insurance	-	722	10,501	11,223
Assistance (Travel) insurance	-	-	4,692	4,692
Motor and voluntary MTPL insurance	12,144	(15,576)	28,191	24,759
Aircraft hull and aircraft liability insurance	-	158	-	158
Total amounts recoverable from reinsurers	**14,317**	**(25,032)**	**60,959**	**50,244**

17 Interest income and expense

	2024	Period starting from 25 July 2023 until 31 December 2023
Interest income calculated using effective interest rate		
Interest income from deposits in banks	153,555	51,048
Interest income from investment in securities	326,074	18,681
Total interest income	**479,629**	**69,729**
Interest expense on repurchase agreements	132,797	-
Interest expense on lease	8,322	943
Total interest expense	**141,119**	**943**

18 Credit loss expense on financial assets (reversals of credit loss expense)

	Note	2024	Period starting from 25 July 2023 until 31 December 2023
Deposits in banks	6	(5,064)	10,098
Investments in securities (including securities pledged under repurchase agreements)	7	5,245	4,076
Total credit loss expense		**181**	**14,174**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

19 Reinsurance finance income from reinsurance contracts held

			2024
	Interest accreted to reinsurance contracts	Net foreign exchange gain (loss)	Reinsurance finance income (expense) from reinsurance contracts held
Voluntary health insurance	-	320	320
Cargo insurance	-	(90)	(90)
Property insurance	-	39,656	39,656
Accident insurance	-	2,739	2,739
General liability insurance	-	1,505	1,505
Assistance (Travel) insurance	-	1,580	1,580
Aircraft hull and aircraft liability insurance	-	(770)	(770)
Total	**-**	**44,940**	**44,940**

20 Insurance finance income from insurance contracts issued

			2024
	Interest accreted to insurance contracts	Net foreign exchange gain	Reinsurance finance income from reinsurance contracts held
Voluntary health insurance	-	3	3
General liability insurance	-	501	501
Total	**-**	**504**	**504**

21 Personnel expenses

	2024	Period starting from 25 July 2023 until 31 December 2023
Salaries and similar payments	710,781	146,943
Bonuses and additional payments	359,971	164,395
Vacation payments	130,526	18,655
Other personnel expenses	20,514	6,817
Total personnel expenses	**1,221,792**	**336,810**

As at 31 December 2024 salary of AMD 539,860 thousand (2023: AMD 109,064 thousand) paid to employees of the Company's sales and contracting department is included in insurance service expenses (see Note 15).

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

22 Other expenses

	2024	Period starting from 25 July 2023 until 31 December 2023
Fixed assets maintenance	45,055	7,945
Advertising costs	81,661	5,480
Business trip expenses	2,446	2,010
Communications	16,393	1,774
Net loss from sale of property and equipment	4,202	-
Taxes, other than income tax, duties	21,484	4,470
Consulting and other services	25,711	18,008
Security	3,427	-
Utility	1,293	-
Representative expenses	5,701	6,377
Office supplies	21,124	6,835
Banking services	8,648	383
Membership fees	5,677	1,060
Charity	70	2,000
Expenses of short term and low value assets leases	-	6,664
Other expenses	4,616	1,894
Total other expenses	**247,508**	**64,900**

23 Income tax (expense) recovery

	2024	Period starting from 25 July 2023 until 31 December 2023
Deferred tax	(3,777)	67,275
Total income tax expense (recovery)	**(3,777)**	**67,275**

The corporate income tax within the Republic of Armenia is levied at the rate of 18% (2023: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 18%.

Numerical reconciliation between the tax expenses (recovery) and accounting profit/(loss) is provided below:

	2024	Effective rate (%)	Period starting from 25 July 2023 until 31 December 2023	Effective rate (%)
Profit (Loss) before tax	80,321		(358,952)	
Income tax	14,458	18	(64,611)	18
Non-deductible expenses	(4,444)	(5)	(2,046)	1
Foreign exchange rate difference	(6,237)	(8)	(618)	-
Total income tax (expense) recovery	**3,777**	**5**	**(67,275)**	**19**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

Deferred tax calculation in respect of temporary differences:

				2024		
	2023	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred tax asset	Deferred tax liability
Cash	(338)	317	-	(21)	-	(21)
Deposits in banks	(634)	(1,548)	-	(2,182)	-	(2,182)
Investment securities	330	945	(12,167)	(10,892)	-	(10,892)
Insurance contract assets	(4,462)	(472)	-	(4,934)	-	(4,934)
Reinsurance contract assets	(9,461)	15,558	-	6,097	6,097	-
Property and equipment	(9,023)	77,354	-	68,331	68,331	-
Other assets	(152)	108	-	(44)	-	(44)
Insurance contract liabilities	11,452	(28,528)	-	(17,076)	-	(17,076)
Other liabilities	22,495	(76,716)	-	(54,221)	-	(54,221)
Tax losses carried forward	56,664	9,205	-	65,869	65,869	-
Deferred tax asset (liability)	**66,871**	**(3,777)**	**(12,167)**	**50,927**	**140,297**	**(89,370)**

				2023		
	25 July 2023	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred tax asset	Deferred tax liability
Cash	-	(338)	-	(338)	-	(338)
Deposits in banks	-	(634)	-	(634)	-	(634)
Investment securities	-	734	(404)	330	330	-
Insurance contract assets	-	(4,462)	-	(4,462)	-	(4,462)
Reinsurance contract assets		(9,461)	-	(9,461)	-	(9,461)
Property and equipment	-	(9,023)	-	(9,023)	-	(9,023)
Other assets	-	(152)	-	(152)	-	(152)
Insurance contract liabilities	-	11,452	-	11,452	11,452	-
Other liabilities	-	22,495	-	22,495	22,495	-
Tax losses carried forward	-	56,664	-	56,664	56,664	-
Deferred tax asset (liability)	**-**	**67,275**	**(404)**	**66,871**	**90,941**	**(24,070)**

24 Financial guarantees

As at 31 December 2024 the Company has provided a guarantee as a collateral for a loan of AMD 2,500,000 thousand provided by the bank to the founder of the Company. This loan guarantee is not reflected in the statement of financial position.

The expected credit losses on financial guarantees are close to zero, therefore they are not disclosed.

25 Contingencies

Tax and legal matters

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

These circumstances may create tax risks in Armenia that are more significant than in other countries.

Management believes that the Company has completely settled all its tax liabilities, based on tax legislation, official announcements and court decisions and comments applied in Armenia, in connection with which contingent liabilities has not been arised.

Reserves formed in connection with lawsuits submitted to the Company in terms of claims are included in the Company's insurance contract liabilities.

Management also believes that the ultimate liability, if any, arising from other legal actions and complaints taken against the Company, will not have a material adverse impact on the financial condition or results of future operations of the Company.

Therefore, the Company has not made any respective provision related to such tax and legal matters.

Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. However, as at 31 December 2024 the Company's transportation is insured. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

26 Transactions with related parties

In accordance with IAS 24 "*Related Party Disclosures*", parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include shareholders, members of Company's Management as well as other persons and enterprises related with and controlled by them respectively.

The principal shareholders of the Company are L. Altunyan and A. Meliksetyan with equal shares, who indirectly owns 100% of the voting shares.

The ultimate shareholders of the Company are RA residents L. Altunyan and A. Meliksetyan, who have equal participation in the sole shareholder of the Company, "Intelligent Management" LLC.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

The details of transactions with related parties are as follows:

	2024		2023	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
Statement of financial position				
Amounts due from policyholders				
Balance at 1 January	1,217	336	-	-
Increase during the year	17,473	1,378	2,225	336
Decrease during the year	(18,582)	(1,116)	(1,008)	-
Balance at 31 December	**108**	**598**	**1,217**	**336**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

	2024		2023	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
Insurance contract liabilities				
Balance at 1 January	13,408	2,002	-	-
Increase during the year	10,844	2,383	13,408	2,002
Decrease during the year	-	-	-	-
Balance at 31 December	**24,252**	**4,385**	**13,408**	**2,002**
Statement of profit or loss and other comprehensive income				
Insurance revenue	17,473	1,378	2,225	336
Insurance service expense	(7,549)	(858)	-	(410)

Compensation of key management personnel was comprised of the following:

	2024	2023
Salaries and bonuses	428,535	183,730
Total key management compensation	**428,535**	**183,730**

27 Fair value measurement

The Company's Management determines the policies and procedures for both recurring fair value measurement, such as unquoted securities measured at FVOCI.

At each reporting date, the Company's Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Financial and non-financial assets and liabilities measured at fair value are presented below in accordance with the fair value hierarchy. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27.1 Financial instruments that are not measured at fair value

As at 31 December 2024 the fair values of the Company's financial assets and liabilities that are not measured at fair value in the statement of financial position are equal to their carrying amounts and are classified in Level 2 (2023: either).

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Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. The fair value of those instruments does not differ from their carrying amounts at reporting date.

27.2 Financial instruments that are measured at fair value

As at 31 December 2024 the fair values of the Company's financial assets and liabilities that are measured at fair value in the statement of financial position are classified in Level 2 (2023: either).

28 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Company performs different operations with financial instruments which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The table below presents financial assets and financial liabilities that are offset in the statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

	31 December 2024					
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets/ liabilities in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Related amounts that are not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net
Financial liabilities						
Repurchase agreements with banks (Note 7, 11)	2,245,718	-	2,245,718	(2,374,523)	-	(128,805)

29 Maturity analysis of assets and liabilities

The following table presents financial assets and liabilities by expected maturity.

	31 December 2024						
	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets							
Cash	11,430	-	11,430	-	-	-	11,430
Deposits in banks	70,416	1,640,464	1,710,880	-	-	-	1,710,880
Investment securities (including securities pledged under repurchase agreements)	2,374,523	-	2,374,523	969,033	1,259,559	2,228,592	4,603,115
Other assets	11,302	-	11,302	-	-	-	11,302
	2,467,671	**1,640,464**	**4,108,135**	**969,033**	**1,259,559**	**2,228,592**	**6,336,727**

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31 December 2024

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Liabilities							
Amounts payable o repurchase agreemnets	2,245,718	-	2,245,718	-	-	-	2,245,718
Lease liabilities	23,920	70,755	94,675	385,099	-	385,099	479,774
Other liabilities	146,849	-	146,849	-	-	-	146,849
	2,416,487	**70,755**	**2,487,242**	**385,099**	**-**	**385,099**	**2,872,341**
Net position	**51,184**	**1,569,709**	**1,620,893**	**583,934**	**1,259,559**	**1,843,493**	**3,464,386**
Accumulated gap	**51,184**	**1,620,893**		**2,204,827**	**3,464,386**		

31 December 2023

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets							
Cash	187,665	-	187,665	-	-	-	187,665
Deposits in banks	-	1,351,801	1,351,801	-	-	-	1,351,801
Investment securities	-	606,202	606,202	117,736	182,215	299,951	906,153
Other assets	4,253	-	4,253	-	-	-	4,253
	191,918	**1,958,003**	**2,149,921**	**117,736**	**182,215**	**299,951**	**2,449,872**
Liabilities							
Lease liabilities	24	18,512	18,536	31,494	-	31,494	50,030
Other liabilities	104,268	-	104,268	-	-	-	104,268
	104,292	**18,512**	**122,804**	**31,494**	**-**	**31,494**	**154,298**
Net position	**87,626**	**1,939,491**	**2,027,117**	**86,242**	**182,215**	**268,457**	**2,295,574**
Accumulated gap	**87,626**	**2,027,117**		**2,113,359**	**2,295,574**		

30 Insurance and financial risk management

The Company's activities expose it to a variety of risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The most important types of risk are insurance risk and financial risk, which includes liquidity risk, market risk and credit risk.

The independent risk control process does not include business risks such as changes in the environment, technology, and industry. They are monitored through the Company's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Company.

Risk Controlling

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

30.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases both facultative and obligatory reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

30.1.1Insurance and reinsurance contracts

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 10% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

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Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, expected loss rations and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

However, due to relatively new insurance market in Armenia, it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. For these reasons the Company's management regularly reviews the statistical data, market changes and other factors for a more prudential provisioning.

Sensitivities

The insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

			2024թ.
		Impact on profit before tax	
	Change in assumptions in %	Gross of reinsurance	Net of reinsurance
Average claim cost	+5	(17,059)	(7,490)
	-5	17,059	7,490
Impact of changes in macroeconomic indicators	+1	(8,498)	(3,424)
	-1	8,498	3,424

			2023թ.
		Impact on profit before tax	
	Change in assumptions in %	Gross of reinsurance	Net of reinsurance
Average claim cost	+5	(156,090)	(93,906)
	-5	156,090	93,906
Impact of changes in macroeconomic indicators	+1	4,551	2,817
	-1	(4,551)	(2,817)

Claims development

As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The company does not have sufficient history to identify a claim development.

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

The Company's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit risk relating to financial instruments is monitored by the Company's investment team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. It is the Company's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board and are subject to regular reviews. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The credit risk in respect of customer balances incurred on non–payment of premiums will only persist during the grace period specified in the policy document. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

30.2.1 Impairment and provisioning policies

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

There has been no significant increase in credit risk or default for financial assets during the year. No collateral is held as security for any past due or impaired assets.

30.2.2 Credit quality analysis

The table below provides information regarding the credit risk exposure of the Company at 31 December 2024 by classifying assets according to credit ratings of the counterparties set by international rating agencies.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

	31 December 2024		
	Investment category	Non-investment category	Total
Cash	10,444	986	11,430
Deposits in banks	1,047,809	663,071	1,710,880
Investment securities (including securities pledged under repurchase agreements)	4,603,115	-	4,603,115
Other assets	-	11,302	11,302
Balance at 31 December	**5,661,368**	**675,359**	**6,336,727**

	31 December 2023		
	Investment category	Non-investment category	No Total
Cash	115,465	72,200	187,665
Deposits in banks	1,044,541	307,260	1,351,801
Investment securities	906,153	-	906,153
Other assets	-	4,253	4,253
Balance at 31 December	**2,066,159**	**383,713**	**2,449,872**

30.2.3 Risk limit control and mitigation policies

The Company has a credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board and are subject to regular reviews. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

30.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

The Company's market risk policy sets out the assessment and determination of what constitutes market risk for it. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains needed to meet the Company's contractual requiremen

30.3.1 Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

There is no direct contractual relationship between financial assets and insurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The policy also requires it to manage the maturities of interest bearing financial assets.

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2024.

The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

	31 December 2024		
	Change in basis points	Sensitivity of net interest income	Sensitivity of equity
AMD	+1	-	(246,759)
AMD	-1	-	226,759

	31 December 2023		
	Change in basis points	Sensitivity of net interest income	Sensitivity of equity
AMD	+1	-	(13,312)
AMD	-1	-	14,423

30.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency.

The tables below indicate the currencies to which the Company had significant exposure as at 31 December 2024 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

Currency	31 December 2024		31 December 2023	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	+5	(3,661)	+5	(2,175)
USD	-5	3,661	-5	(2,175)

The Company's exposure to foreign currency exchange risk is as follow:

	31 December 2024		
	Armenian Dram	Freely convertible currencies	Total
Assets			
Cash	11,430	-	11,430
Deposits in banks	1,494,320	216,560	1,710,880
Investment securities (including securities pledged under repurchase agreements)	4,603,115	-	4,603,115
Reinsurance contract assets	845,723	272,355	1,118,078
Other assets	11,302	-	11,302
Total	**6,965,890**	**488,915**	**7,454,805**

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

	31 December 2024		
	Armenian Dram	Freely convertible currencies	Total
Liabilities			
Insurance contract liabilities	2,568,088	562,130	3,130,218
Reinsurance contract liabilities	27,600	-	27,600
Amounts payable on repurchase agreements	2,245,718	-	2,245,718
Other liabilities	626,623	-	626,623
Total	**5,468,029**	**562,130**	**6,030,159**
Net position as at 31 December 2024	**1,497,861**	**(73,215)**	**1,424,646**
Total financial assets	**2,334,155**	**119,913**	**2,454,068**
Total financial liabilities	**1,014,098**	**163,408**	**1,177,506**
Net position as at 31 December 2023	**1,320,057**	**(43,495)**	**1,276,562**

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia.

30.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on individual and total equity instruments.

The Company has no significant concentration of price risk.

30.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.

The liquidity management of the Company requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Company calculates the liquidity ratio in accordance with the requirement of the Central Bank of Armenia.

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The Company made use of IFRS 17 "Insurance Contracts", Article 132, Clause b, i. instead of the repayment analysis required by point "a" of Paragraph 39 of IFRS 7, disclosing information on the estimated dates of net cash outflows arising from recognized insurance and reinsurance liabilities as at 31 December 2024. Remaining coverage liabilities estimated under the premium allocation approach are excluded from this analysis.

	31 December 2024				
	Less than 1 year	From 1 to 2 years	More than 2 years	Total	Total carrying amount
Insurance contract liabilities					
Voluntary health insurance	564,165	11,837	22,751	598,753	588,801
Cargo insurance	60,882	1,365	2,608	64,855	63,724
Property insurance	6,568	149	282	6,999	6,878
Accident insurance	24,490	542	1,035	26,067	25,616
General liability insurance	302	6	14	322	316
Assistance (Travel) insurance	22,653	653	1,249	24,555	24,012
Motor and voluntary MTPL insurance	160,089	4,185	7,988	172,262	168,799
Total	**839,149**	**18,737**	**35,927**	**893,813**	**878,146**

	31 December 2023				
	Less than 1 year	From 1 to 2 years	More than 2 years	Total	Total carrying amount
Insurance contract liabilities					
Voluntary health insurance	110,953	-	-	110,953	110,953
Cargo insurance	1,718	159	-	1,877	1,820
Property insurance	16,878	234	-	17,112	17,028
Accident insurance	710	-	-	710	710
General liability insurance	9,991	930	-	10,921	10,588
Assistance (Travel) insurance	8,178	-	-	8,178	8,178
Motor and voluntary MTPL insurance	32,658	3,078	-	35,736	34,636
Aircraft hull and aircraft liability insurance	-	-	-	-	-
Total	**181,086**	**4,401**	**-**	**185,487**	**183,913**

30.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;

For the year ended 31 December 2024 (expressed in thousands of Armenian drams (AMD))

- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements, including the minimal requirements of the Central Bank of Armenia on internal control system;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the Company to which they relate, with summaries submitted to the Board.

31 Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

Currency			2024
	Lease liabilities	Amounts payable on repurchase agreements	Total
Carrying amount at 25 July 2023	-	-	-
Proceeds	51,664	-	51,664
Payments	(2,577)	-	(2,577)
Other	943	-	943
Carrying amount at 31 December 2023	**50,030**	**-**	**50,030**
Proceeds	461,657	35,864,528	36,326,185
Payments	(39,667)	(33,751,607)	(33,791,274)
Remeasurement	(568)	-	(568)
Other	8,322	132,797	141,119
Carrying amount at 31 December 2024	**479,774**	**2,245,718**	**2,725,492**

32 Capital adequacy

The Company maintains an actively managed capital base to cover risks inherent in the business. The Company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Armenia in supervising the Company.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

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The capital adequacy ratio of an insurance company is calculated by the ratio of total capital to required capital.

Total capital consists of core capital, which comprises share capital, retained earnings including current year profit, and general reserve. Total capital is calculated in accordance with the requirements of the Central Bank of Armenia. The other component of total capital is additional capital, which includes revaluation reserves.

The required capital is calculated in accordance with requirements of the Central Bank of Armenia.

The minimum ratio between total capital and required capital set by the Central Bank of Armenia is 100%.

The Company's total capital and required capital amounts as of 31 December, calculated in accordance with the CBA requirements, are presented below:

Currency	Unaudited	Unaudited
	31 December 2024	31 December 2023
Core capital	2,004,703	1,839,386
Additional capital	49,216	1,394
Total capital	**2,053,919**	**1,840,780**
Required capital	1,608,445	1,156,689
Capital adequacy ratio	**128%**	**159%**

As at 31 December 2024 the Central Bank of Armenia has set the minimal required total capital at AMD 1,500,000 thousand.